GOVERNMENT OF INDIA
DISINVESTMENT
LOK SABHA

UNSTARRED QUESTION NO:3559
ANSWERED ON:16.04.2002
DISINVESTMENT POLICY
SURESH PASI;THAAWAR CHAND GEHLOT

Will the Minister of DISINVESTMENT be pleased to state:

(a) the measures taken by the Government to speed up the process of disinvestment during the last three year; and

(b) the extent to which the disinvestment policy of the Government has succeeded in achieving its objective, particularly in the industrial sector, as compared to 1991-1992?

Answer

MINISTER OF DISINVESTMENT AND MINISTER OF DEVELOPMENT OF NORTH EASTERN REGION (SHRI ARUN SHOURIE)

(a) Many measures have been undertaken to speed up the process of disinvestment. These include streamlining/standardisation of the procedures in selection of Advisors and other intermediaries [Legal Advisor, Asset Valuer etc.], starting activities concurrently wherever feasible, consultations with various stake-holders including trade unions representatives (whenever needed), reconstitution of the Disinvestment Commission and the decision to refer all `non-strategic` PSUs (except ONGC, GAIL & IOC) to the Commissio for independent and professional advice so that based on their advice, a sizeable pipeline of PSUs can be developed for disinvestment. Whenever required, disinvestment procedures are refined further, based on experience of each transaction, to reduce the time needed to close/complete a transaction.

(b) Although disinvestment commenced from 1990-1991 with the sale of minority stake in profit making enterprises, the major shift in emphasis came about in 1998-99, when Government decided to bring down Government shareholding in the PSUs to the level of 26% in the generality of cases, (thus facilitating ownership changes, as was recommended by the Disinvestment Commission). However, the Government would retain majority holdings in PSUs involving `strategic` considerations and that the interests of the workers would be protected in all cases. Since 2000-01, the Government has been pursuing the policy of reducing its stake in the non-strategic PSUs, even below 26% in some cases, through strategic sales of PSUs. This shift in emphasis from selling minority stakes in profit-making companies to Strategic Sales has started yielding very good results - measured in terms of Price to Earning Ratios. Market capitalisation for PSU-shares has also improved substantially owing to recent successful privatisations through Strategic Sale.

Successful privatisation/disinvestment through strategic sale include the following: -

Lagan Jute Machinery Company Limited (LJMC); Modern Food Industries Limited (MFIL); Bharat Aluminium Company Limite (BALCO); CMC Ltd. (CMC); HTL Ltd. (HTL); IBP Ltd. (IBP); Videsh Sanchar Nigam Limited (VSNL); Indian Tourism Developm Corporation (ITDC) (9 hotels); Hotel Corporation of India Limited (HCI) (3 hotels); Paradeep Phosphates Limited (PPL), Jessop Co. Ltd. (subject to BIFR approval) and Hindustan Zinc Ltd. Thirty-two more companies are now under the process of disinvestment.

Disinvestment in the above PSUs has clearly shown that strategic sale has brought better revenue proceeds, improved productivity and ensured the protection of employees` rights. The disinvestment policy has, therefore, succeeded in achieving its main objectives.